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Chair: Mr. Rosenthal ..... (Guatemala)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Ms. McLurg

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Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict

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The meeting was called to order at 10.15 a.m.

Agenda item 133: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/C.5/65/L.3)

Draft resolution A/C.5/65/L.3: Scale of assessments for the apportionment of the expenses of the United Nations

1. **Mr. Chumakov** (Russian Federation) said that the report of the Committee on Contributions was not balanced and a number of the General Assembly's instructions had not been carried out. If that imbalance and failure to implement the Assembly's instructions were to recur in the report submitted by the Committee the following year, his delegation would not be in a position to take note of that report.

2. *Draft resolution A/C.5/65/L.3 was adopted.*

3. **Mr. De Preter** (Belgium), speaking on behalf of the European Union; the candidate countries Croatia, Iceland and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and, in addition, the Republic of Moldova, said that a fair and balanced sharing of budgetary responsibilities was essential to the effective functioning of the United Nations. Although the most vulnerable countries should be spared from making contributions that were beyond their capacity to pay, all Member States with the capacity to do so should assume a larger share of the Organization's expenses so that the distribution of costs reflected economic reality more accurately. The adoption of General Assembly resolution 64/248 by consensus attested to the fact that the current methodology did not mirror that reality.

4. It was regrettable that the Committee on Contributions tended to act along the same polarized lines as did the Fifth Committee, whereas its primary role should be to provide a technical assessment to inform policymaking decisions that were within the Assembly's sole purview. The current report of the Committee on Contributions was therefore an important element, but not the only one, in the implementation of General Assembly resolution 64/248, in which the Assembly had decided to review all elements of the scale methodology. That review — which would clearly transcend consideration of the Committee's current report — should go forward in due course.

5. **Mr. Al-Shahari** (Yemen), speaking on behalf of the Group of 77 and China, welcomed the adoption of the draft resolution, which would allow the Committee to turn its attention to the other pressing issues before it. He reaffirmed that all budgetary, financial and administrative matters of the United Nations must be discussed solely within the framework of the Fifth Committee, in conformity with its mandate under the Charter, and recalled that the General Assembly, in its resolution 64/258, had approved the scale of assessments for 2010-2012 on the basis of the current methodology. The Group reaffirmed the principle of capacity to pay as the fundamental criterion in the apportionment of the expenses of the Organization and rejected any changes to the current methodology aimed at increasing the contributions of developing countries. The core elements of that methodology, including the base period, gross national income, conversion rates, low per capita income adjustment, gradient, floor, least developed countries ceiling and debt-burden adjustment, must remain intact and were not negotiable. The current maximum ceiling, which had been fixed as a political compromise, was contrary to the principle of capacity to pay and caused distortion in the scale of assessments. The General Assembly should review that arrangement in accordance with General Assembly resolution 55/5 C.

Agenda item 138: Administrative and budgetary coordination of the United Nations with the specialized agencies and the International Atomic Energy Agency (*continued*) (A/C.5/65/L.4)

Draft decision A/C.5/65/L.4: Budgetary and financial situation of the organizations of the United Nations system

6. *Draft decision A/C.5/65/L.4 was adopted.*

Agenda item 127: Financial reports and audited financial statements, and reports of the Board of Auditors (A/65/5 (Vols. I, III and Corr.1, IV) and Add.1-12, A/65/169, A/65/296 and Add.1 and A/65/498)

7. **Mr. Vanker** (Chair of the Audit Operations Committee of the Board of Auditors), introducing the Board of Auditors' reports to the General Assembly at its sixty-fifth session, said that, as the only independent external auditor of the United Nations, the Board sought to communicate clear messages to ensure that audit issues were resolved, recommendations were implemented and legislative bodies received independent

commentary on important matters. The audit report, by addressing the root causes of issues, could be a strong agent for improvement, in conjunction with the efforts of administrations and oversight bodies.

8. The Board conducted its audits and presented its reports in accordance with the International Standards on Auditing. Those reports followed a consistent layout and addressed many topics transversally. Fifteen reports concerned the financial statements of the United Nations and of its funds and programmes for the biennium ended 31 December 2009; one report, on the voluntary funds administered by the United Nations High Commissioner for Refugees, related to the year ended 31 December 2009; and one report, which would be introduced at a later date, was the Board's annual report on the capital master plan. The main findings of all those reports were summarized in a separate report (A/65/169).

9. Nine of the reports on the financial statements reflected unmodified audit opinions, indicating that there were no material issues affecting the fair presentation of the financial statements. In the case of the United Nations Population Fund (UNFPA), however, the Board considered that a deficiency in the management of nationally executed expenditure constituted a significant risk. The Board had therefore issued a qualified audit opinion on the financial statements of UNFPA.

10. In the remaining six reports, and in the report on UNFPA, the Board drew attention through an emphasis of matter to several issues that must be addressed urgently, including the funding of end-of-service and post-retirement liabilities, and losses on investments — both realized and unrealized — due to the recent global market turmoil. The detailed reports also reflected several matters of general concern: the delay in implementation of the International Public Sector Accounting Standards (IPSAS), which had been pushed back from 2012 to 2014 in the Secretariat, mainly because the new enterprise resource planning system was not in place; disclosure and funding of after-service health insurance and end-of-service liabilities, given that some organizations might not be able to discharge their liabilities as and when they fell due unless funding strategies were considered; the lack of uniformity with respect to nationally executed expenditure; and deficiencies in the management of expendable and non-expendable property, especially with regard to record-keeping, periodic physical verifications, reconciliations, investigation of discrepancies and taking prompt corrective action. In addition, the reports contained some 500 findings and recommendations on such matters as programme expenditure, procurement, and information and communications technology.

11. With respect to follow-up on previous recommendations, the Board had found that out of a total of 518 recommendations made in the biennium 2006-2007, 59 per cent had been fully implemented, 33 per cent had been partially implemented, 3 per cent had not been implemented and 5 per cent had been overtaken by events. There had been little change in the overall implementation rate; the Board was confident that administrations would implement all outstanding recommendations and was pleased to note that the Secretary-General's related report indicated that further progress had been made.

12. **Mr. Yamazaki** (Controller), introducing the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations and the funds and programmes for the financial period ended 31 December 2009 (A/65/296 and Add.1), indicated that document A/65/296 contained information on the United Nations and the capital master plan, while its addendum, A/63/296/Add.1, contained information on the United Nations funds and programmes.

13. Every effort had been made to comply with the General Assembly's repeated requests to indicate time frames, priorities, the office holders responsible for the implementation of recommendations and the reasons for delays in the implementation of recommendations from prior periods. Programme managers were responsible for setting target dates for the implementation of recommendations; those dates were reflected in the reports before the Committee. In some cases, the target date depended on the implementation of IPSAS or enterprise resource planning. In accordance with General Assembly resolution 48/216 B, the Secretary-General had indicated where action was required by the Assembly to implement a recommendation. Pursuant to General Assembly resolution 52/212 B, department heads and programme managers bore responsibility for implementation; it was normal practice, however, for them to assign actual implementation to lower-level staff in their departments and offices. With regard to prioritization, the Board categorized its most important

recommendations as "main" recommendations. While all accepted recommendations would be implemented in a timely manner, the main recommendations would be given highest priority.

14. Efforts had been made to streamline the Secretary-General's report. Since the Administration provided the Board of Auditors with comments on its findings and recommendations, the comments in the present report were limited to those areas that call for further clarification. In accordance with General Assembly resolution 62/223 A, additional information was provided on all recommendations from prior periods that the Board had considered not fully implemented.

15. **Ms. McLurg** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee on Administrative and Budgetary Questions (A/65/498), said that the concise summary of findings prepared by the Board of Auditors would be of particular interest to Member States as the United Nations and its entities embarked on new reform initiatives. The number of cross-cutting issues that remained unresolved was a matter of continued concern. With the impending implementation of IPSAS, the United Nations and its entities would face additional operational and reputational risks in the coming bienniums. The failure to address existing issues highlighted the need for greater senior management focus and accountability; enhanced efforts must be made to minimize the risks to the Organization.

16. In view of the Board's critical audit opinion with respect to UNFPA, the Advisory Committee had met with Fund officials, who had stated that remedial measures had been initiated to address the concerns raised by the Board.

17. Overall, the Advisory Committee had found three major issues of concern. The most serious related to the implementation of IPSAS, which would entail changes in policy, procedure and business practices and would affect several entities. Senior management must show strong leadership to ensure the timely completion of preparations and to forestall any further slippage in the implementation dates. IPSAS must be implemented in a manner that remedied the current divergences of accounting policies among United Nations entities. Since the Board of Auditors was uniquely placed to help ensure that uniformity was achieved, the Advisory Committee encouraged the Board to provide advice and guidance on matters of interpretation when requested by the United Nations or its entities. In addition, under IPSAS, the Board would be required to produce its final audits annually rather than biennially. Member States would have to consider the impact on the Board's role, resources and reporting modalities as the implementation date approached. Given the importance of the issue, the Advisory Committee recommended that the Board should report to the General Assembly annually on progress towards the implementation of IPSAS.

18. The second issue was improper accounting for non-expendable property. While the Board had noted some improvement in that area, it was imperative for senior management to take timely and appropriate action to address weaknesses in such accounting, which represented a clear financial risk that would become even more acute once the stricter reporting and disclosure requirements for non-expendable and expendable property under IPSAS came into effect.

19. Lastly, the weaknesses identified by the Board in the implementation of results-based budgeting were a matter of particular concern and mirrored similar findings by oversight bodies over a number of years. Greater efforts were needed if results-based budgeting was to provide the intended benefits; any move to results-based management would be compromised if the current problems were not remedied.

20. **Mr. Al-Shahari** (Yemen), speaking on behalf of the Group of 77 and China, said that the Group generally concurred with the findings and recommendations of the Board of Auditors and wished to hear from the Secretariat why the implementation rate of the Board's recommendations had decreased from 64 per cent for the biennium 2004-2005 to 59 per cent for the biennium 2006-2007. Entities that had not fully implemented the recommendations should do so, with a focus on recurring and outstanding recommendations.

21. The Group welcomed the Board's efforts to enhance its cooperation with the Office of Internal Oversight Services and the Joint Inspection Unit.

22. It was a matter of concern that four out of the seven modified audit opinions issued by the Board identified weaknesses in the management of non-expendable property, an issue that the Board had

repeatedly highlighted. An emphasis of matter indicated not only an accounting but also a management issue that required stricter internal control and accountability by administrations.

23. The fact that eight funds and programmes had improved the status of their audit opinions in the biennium 2008-2009 — including the United Nations Office for Project Services, which had obtained an unqualified opinion for the first time since 1999-2000 — demonstrated that organizational reform and operational discipline could yield improvement.

24. The Group noted with concern the delay in the implementation of IPSAS to 2014 for the United Nations and to 2012 for other entities. It would seek clarification from senior management of the reasons for the delay and measures to be taken to ensure the timely implementation of the Standards, and concurred with the Advisory Committee that the Board of Auditors should report annually on progress.

25. In addition, the Group would seek further information regarding the changes in administrations' methods of estimating after-service health insurance liabilities and the impact of proposed action to fund those liabilities, and regarding the impact on programme delivery of the high cash and investment holdings of the United Nations and its funds and programmes and measures to address the management of those holdings.

26. With respect to the Board's qualified opinion on the financial statement of UNFPA owing to shortcomings in the reporting of nationally executed expenditure, the Group noted that the Fund was a decentralized organization, that such expenditure was inherently complex and that UNFPA had initiated corrective measures that would take full effect in 2011.

27. **Mr. De Preter** (Belgium), speaking on behalf of the European Union; the candidate countries Croatia, Iceland, and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and, in addition, the Republic of Moldova and Ukraine, said that the European Union, which attached great importance to the role of the Board of Auditors, welcomed the positive change in the status of the audit opinions for the International Tribunal for the Former Yugoslavia and the United Nations Office for Project Services (UNOPS), among other United Nations entities. However, it noted with concern that the Board had issued a qualified audit opinion for the United Nations Population Fund (UNFPA) owing to weaknesses in the nationally executed expenditure modality audit process. It was also particularly concerned at the improper accounting for asset management, particularly with regard to non-expendable property, which had been a matter of emphasis for the Board in several previous reports.

28. It was regrettable that all the entities had delayed implementation of IPSAS to January 2012, and that the United Nations and related entities had further delayed their implementation to January 2014. The European Union reiterated the importance of achieving successful implementation of those standards. To that end, the Board should continue to review the implementation process in a timely manner.

29. The European Union noted with interest the information provided by the Board on the implementation of its recommendations relating to the biennium 2006-2007. Although some organizations had recorded relatively high rates of implementation, it was worrying that, compared with the previous biennium, the overall implementation rate had decreased. The importance of implementing the Board's recommendations should once again be stressed.

30. **Mr. Melrose** (United States of America) said that his delegation generally supported the conclusions of the Board of Auditors and the Advisory Committee and considered that the Committee should accept the Board's reports. He commended those organizations that had made considerable improvements since the last audit of their financial statements, particularly the Office of the United Nations High Commissioner for Refugees and the International Tribunal for the Former Yugoslavia, and urged them, as well as all other United Nations organizations, to continue to implement fully the Board's recommendations, prioritizing areas where the Board had indicated an emphasis of matter.

31. His delegation was concerned at the findings that had given rise to a qualified audit opinion for UNFPA, especially the troubling lack of sufficient supporting documentation for expenditures, which left the Fund's resources unnecessarily vulnerable to fraud and waste. His delegation urged the Fund to address the Board's recommendations without delay; it would also be helpful to know what corrective measures were being taken. The treatment of non-expendable property by the United Nations and its funds and programmes, and

the Board's repeated recommendations on that subject, remained a further matter of concern. Bearing in mind that the inability to locate and properly account for non-expendable property represented a serious lapse in accountability, he called on all organizations to take immediate action to address the issue, in order to give donors confidence that their contributions were being utilized efficiently and effectively.

32. His delegation was concerned at the amount of cash and investment holdings in the United Nations and its funds and programmes, which currently totalled about $18 billion, and would continue to monitor the situation. As noted by the Board in its report (A/65/169), management of those funds was a significant responsibility of the administrations, which must ensure the existence of strong internal controls to prevent fraud, waste and abuse of funds, since such large cash balances exposed the Organization to significant financial risk. His delegation encouraged the Board to continue to include information on cash and investment holdings in future reports.

33. The slowness of the efforts made by various United Nations agencies to prepare for the implementation of IPSAS was disappointing, since if appropriate measures were not taken immediately, the United Nations as a whole would fail to meet the Standards by a significant margin. Important decisions would also have to be made on how to address accrued after-service health insurance and end-of-service liabilities, bearing in mind that the implementation of IPSAS would change how they were recorded in the financial statements. It was imperative for the United Nations to take a balanced approach to meeting its obligations in a financially prudent manner. Lastly, recalling that full disclosure was a matter of good governance, he drew attention to the Board's recommendation to the United Nations Joint Staff Pension Fund regarding the need for enhanced description and disclosure in the financial statements of underlying realized gains and losses, as well as unrealized positions.

34. Effective oversight, such as that performed by the Board, could only make the Organization's activities stronger, as improperly disbursed funds could be recovered, inefficient practices could be terminated, and culpable officials could be held accountable. His delegation therefore called on managers to implement the Board's recommendations expeditiously.

Agenda item 129: Programme budget for the biennium 2010-2011 (*continued*)

Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict (A/64/7/Add.23 and A/64/763)

35. **Mr. Yamazaki** (Controller), introducing the report of the Secretary-General on revised estimates relating to the programme budget for the biennium 2010-2011 for the Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict (A/64/763), said that the report reflected a requirement for nine new posts to be established effective 1 July 2010, for which additional resources in the amount of $1,232,800 had been requested. However, owing to the delay in considering the report, those additional resource requirements would need to be revised based on the number of posts that were actually approved and their effective date. The full costing of the proposed nine new posts in the biennium 2012-2013 was currently estimated at $3,326,200. In addition to the post resources, the Office would require resources for consultants, staff travel and operational expenses related to the establishment of the posts. The overall resource requirements would represent a charge against the contingency fund for the biennium 2010-2011.

36. **Ms. McLurg** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the revised estimates relating to the programme budget for the biennium 2010-2011 for the Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict (A/64/7/Add.23), said that the Advisory Committee recommended approval of the establishment of seven of the nine posts proposed, considering that the functions of two posts could be performed by the incumbents of the other posts at those levels. It also recommended approval of the non-post resources requested.

37. The Advisory Committee was disappointed that the Secretary-General appeared not to have followed established procedures in creating an extrabudgetary post at the Under-Secretary-General level without the Advisory Committee's prior concurrence; it trusted that such situations would be avoided in future. It also considered that the information contained in chapter III of the Secretary-General's report on the functions of

the new Office of the Special Representative was rather general. Consequently, it expected that the Special Representative would, at the earliest opportunity, develop a workplan for the biennium 2010-2011 and provide the Assembly with information about the activities she intended to undertake.

38. **Mr. Al-Shahari** (Yemen), speaking on behalf of the Group of 77 and China, said that, while the Group welcomed the Secretary-General's budget proposal for the Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict, it was deeply concerned that the appointment of the new Special Representative had violated the provisions of General Assembly resolution 35/217, pursuant to which the establishment of all extrabudgetary posts at the D-1 level and above was to be subject to the Advisory Committee's concurrence. The Group requested a detailed explanation of the reasons why that procedure had not been followed and called for greater transparency and accountability in the use of extrabudgetary resources, which should be managed with the same rigour as regular budget funds.

39. In view of the recent establishment of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the work of the Special Representative of the Secretary-General for Children and Armed Conflict, it was to be hoped that the Secretary-General would take all necessary steps to ensure maximum cooperation, coordination and integration of efforts among those entities and the Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict, in order to avoid duplication and overlap. It requested the Advisory Committee, in the context of its forthcoming report on UN Women, to consider any structural challenges that might arise in that regard.

40. **Mr. Yamada** (Japan) welcomed the appointment of the Special Representative of the Secretary-General on Sexual Violence in Conflict and said he hoped that she would implement the mandates conferred on her by the Security Council in its resolution 1888 (2009). His delegation concurred with the Advisory Committee that the information provided in the Secretary-General's report, particularly in chapter III, was rather general; further details about the activities of the Office of the Special Representative and its workplan for the biennium 2010-2011 would therefore be helpful. An explanation of the roles envisaged for the nine requested posts should also be provided.

41. Recalling that, in its resolution 1888 (2009), the Security Council, taking into account the then ongoing discussions regarding the establishment of UN Women, had decided to review the mandates of the Special Representative within two years, he wondered whether the mandates conferred on the Special Representative and UN Women, respectively, were in fact complementary. The level of resources for the Office of the Special Representative should be commensurate with its mandates in the current biennium. Lastly, his delegation was disappointed to note that, in creating the post of the Special Representative, the Secretary-General had not followed the established procedure.

The meeting rose at 11.40 a.m.